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TAGS: [KSTC](#) [ETTC](#) [PARM](#) [NL](#) [CH](#)
SUBJECT: DUTCH PROPOSE PARTS CONTROL PLANS FOR 14-BIT ADC
SALES

REF: 239012

Classified By: Economics Counselor Richard Huff for Reasons 1.4 (B) and (D).

1. (S) On November 15, Chris Kessler, Export Control Non-Proliferation office director, Nicole Breland, Department of Defense export control policy advisor, and embassy econoff (note taker) briefed the non-paper (reftel) to Dutch ministry of foreign affairs, economic affairs and defense officials responsible for dual use technology export policy. George Bontenbal, director of the Ministry of Economic Affairs' office of Export Control and Strategic Goods policy led the Dutch delegation

2. (S) Bontenbal thanked the U.S. side for its information and remarked that Huawei, for example, was among the largest telecommunications base station manufacturers in China and a probable Philips customer. Note: Philips manufactures 14-bit ADCs, but according to the Dutch as yet has not sold these to Chinese companies. End Note. He thought the USG and GONL should draw a distinction between Huawei's civilian telecommunications manufacturing and their defense related work for the PLA.

3. (S) Kessler countered that it was unreasonable to expect that the civilian division of a partially PLA-owned company would not share its western bought technology with the defense division. Firms that are established defense contractors to the PLA and have extensive ties to PRC national security agencies cannot be expected or trusted to maintain impermeable fire-walls; we know they do not. The only companies that can be trusted, even on the basis of the rigorous conditions and parts control plan approach we have discussed, are those that are strictly focused on the civilian market, and therefore have strong incentives to avoid leakage.

4. (S) Nevertheless, Bontenbal said the GONL preferred requiring end-use conditions and parts control plans, requiring ADC buyers to track and account for their ADC inventory, rather than prohibiting altogether ADC sales to certain companies. It would be hard, he concluded, to shut out Huawei, one of the biggest players in China's third generation cell phone program. Bontenbal suggested the Dutch would agree to require parts control programs for ADC sales to Chinese companies, rather than excluding the companies all together. He confided that Philips wants to sell 14-bit ADCs to Huawei soon. With this in mind, the GONL had been drafting sales contract language requiring 14-bit ADC buyers to put parts control programs in place for the converters. He offered to share the Dutch contract conditions with the U.S., probably sometime in mid-December.

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